

**Top Secret**

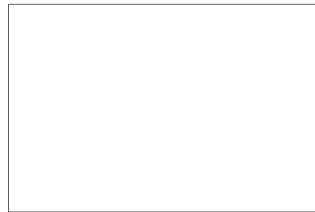
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NATIONAL INTELLIGENCE DAILY CABLE

Friday November 19, 1976 CI NIDC 76-271C



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State Dept. review  
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National Intelligence Daily Cable for Friday November 19, 1976.

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[REDACTED] The NID Cable is for the purpose of informing senior US officials.

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LEBANON: Situation Report

[ ] The cease-fire in Beirut was marred yesterday by fighting between pro-Syrian and independent Palestinian groups. The trouble erupted when members of the Syrian-controlled Saiqa organization tried to reoccupy their quarters at Sabra refugee camp, which is controlled by Fatah and other independent Palestinians.

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[ ] Saiqa--which has acted under Syrian direction throughout the Lebanese war--was ousted from Beirut by other Palestinian groups in June when Syria began to cooperate openly with the Christians. Many Saiqa members defected to other Palestinian organizations, and others either escaped to Syria or were absorbed into Syrian forces in Lebanon. The units involved in the clashes yesterday probably entered Beirut along with the Syrian-dominated Arab peacekeeping force.

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[ ] Although the fighting at Sabra camp was stopped without the intervention of peacekeeping troops, the incident is symptomatic of tensions that could eventually draw Syrian units of the Arab force into a direct confrontation with the Palestinians.

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[ ] The Syrians are determined to enforce the cease-fire and to restore Saiqa to its former prominent position in the Palestine Liberation Organization, and they reportedly are equally determined to wipe out any resistance to their plans from the Palestinians and Lebanese leftists.

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[ ] Arafat is currently in Damascus for talks with President Asad, ostensibly to patch up their differences. The two leaders called yesterday for other Palestinian leaders to join them today, which may presage some sort of formal reconciliation announcement.

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[ ] Except for the incident at Sabra camp, the cease-fire in Beirut is holding up well. Beirut airport is expected to open for daylight operations today, and commercial activity throughout the capital is returning to normal, although Beirut residents are still hesitant to move between the Christian and Muslim sectors of the city.

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[ ] General Haj, the Lebanese commander of the Arab peacekeeping force, notified local officials in northern and southern Lebanon that peacekeeping troops would be entering those areas by the end of the week. Two new Syrian brigades, augmented with troops from the United Arab Emirates and North Yemen, are expected in Lebanon soon to carry out this phase of the truce agreement.

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[ ] Israeli-backed Christian troops reportedly captured the Muslim village of Kafr Killa yesterday from Palestinian and leftist forces. The Christians are trying to establish a buffer zone along the Lebanese-Israeli border and have succeeded in gaining control over most of the area except for the Palestinian and leftist redoubts at Bint Jubayl and the Arqub.

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[ ] Syria remains reluctant to send its troops into the far south--even under the guise of Arab peacekeeping troops--because of the Israelis' sensitivity to any Syrian presence near its border. Damascus, nevertheless, hopes to end the fighting and gain control over the area by regulating the number of Palestinians returning to the south and by sending Syrian-controlled Palestinian forces into the Arqub and other bases from which the Palestinians have traditionally operated against Israel.

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[ ] This arrangement will give Syria only marginal influence over the Palestinians and virtually no control--save political persuasion--over the Christians, whose cooperation with the Israelis is a major embarrassment to Damascus.

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[ ] The Palestinians, meanwhile, have been moving large stores of heavy weapons to Sidon and other cities in the south over the past several weeks in anticipation that the Syrians will soon be in a position to monitor their movements more closely. If the Palestinians have already sufficiently reinforced their bases, the situation in southern Lebanon could quickly become the most serious threat to the cease-fire agreement. [ ]

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#### SPAIN: Political Reform Approved

[ ] Spain's King Juan Carlos and the government of Prime Minister Suarez appear to have won a significant victory last night when the Spanish parliament voted 425 to 59, with only 13 abstentions, to accept the political reform bill that replaces the present largely appointed legislature with a democratically elected one.

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[ ] The US embassy reports that the government made a concession--a cosmetic modification of its scheme for proportional representation--to the right-wing Popular Alliance, which had threatened to abstain if its demands were not met.

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[ ] Last-minute pressure tactics by the government, such as the release of an opinion poll indicating that Spaniards backed the bill by a majority of better than 20 to 1, may also have been a factor in the opposition's apparent collapse. Moreover, the final roll-call vote was to be televised live, and many legislators may have been reluctant to be seen voting against the reform.

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[ ] The government will now put the program to the populace in a referendum, probably next month. Approval is a virtual certainty, despite opposition threats to abstain. Elections to the new parliament are expected next spring.

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[ ] The reformists' victory in the parliament may take some of the steam out of the rightist demonstration in Madrid tomorrow to commemorate the first anniversary of Franco's death.

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[ ] //Police now reportedly expect a turnout of only up to 200,000--small by rightist standards. Officials do not feel the need for any special security measures, although they

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[redacted]

will bring in reinforcements as a precaution.// As a result of telephoned threats to various leaders, police protection has been assigned to a broad range of prominent people from right to left, including some Communists. The protection is to last through tomorrow.

[redacted] The government has tried to defuse the situation by holding on the same day a commemorative ceremony and mass at Franco's tomb north of Madrid. The King, government leaders, and Franco's family are expected to attend. [redacted]

[redacted]

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#### OPEC: Developments

[redacted] //The Organization of Petroleum Exporting Countries still seems almost certain to increase the price of oil at its Ministerial meeting scheduled for next month. Saudi Arabia wants the increase to be about 5 percent, but the final decision will depend on the Shah of Iran.//

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[redacted] //If the Shah is adamant in his demands for a large increase, the Saudis will likely agree to a 10-percent hike and might not even veto one of 15 percent. The Saudis believe that they already have gone as far as they can to hold down prices and cannot afford to expend the political capital that would be required to take on the Shah.//

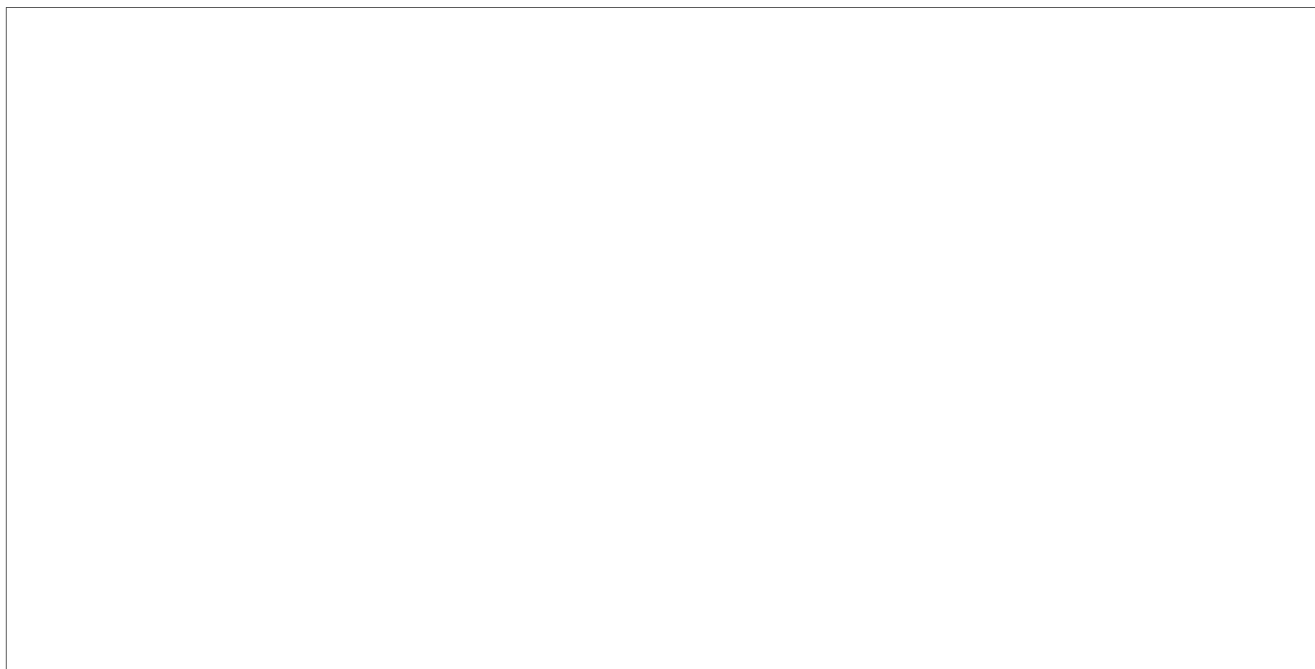
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[redacted] //Despite news reports of a postponement, there is no evidence that the OPEC meeting, scheduled for December 15, will be postponed for anything more than a few days.//

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[redacted] //We have been expecting a January increase in oil prices since the OPEC oil ministers' meeting in Indonesia, last May. At that meeting, Saudi Arabia successfully pressed to continue the price freeze established in October 1975. Saudi opposition to an increase was based on concern that higher oil prices could weaken or abort the recovery in the major Western industrial countries and that economic problems could in turn erode political stability in countries with strong Communist parties.//

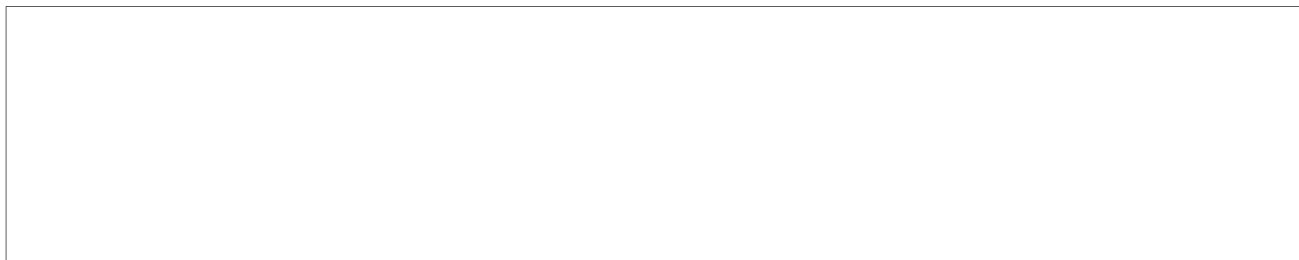
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[redacted] //The Saudis would like the next US administration to help the Arabs achieve their goals in a Middle East settlement.//

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[redacted] //Iran can get along well without any price rise during 1977. Iran's current-account surplus should be about \$5.6 billion this year and, even with large military purchases, should be sizable next year as well.//

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[redacted] //The other OPEC members seem to be following their usual practice of lining up behind either Saudi Arabia or Iran on the price issue. Conservative Persian Gulf states with large revenue surpluses, like Kuwait and the United Arab emirates, seem fully behind Saudi Arabia; revenue-hungary states such as Iraq, Nigeria, and probably Venezuela back Iran. In the past, the

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[redacted]

Saudis have broadened support for their position in OPEC councils by offering financial assistance to needy states like Algeria-- a tactic they probably will use again at the next ministers' meeting.//

[redacted] //After having held the price line throughout 1976, the Saudis feel that their political capital within OPEC is relatively low compared with Iran's. On November 10, King Khalid publicly stated that Saudi commitment and obligations to OPEC might preclude another oil price freeze. Moreover, Riyadh prefers to avoid a split with Iran over oil prices because it wants Tehran's support for its position on the Kuwaiti-Iraqi border dispute.//

[redacted] //The probability thus is high that Saudi Arabia and Iran will reach some compromise on the size of the oil price increase. [redacted]

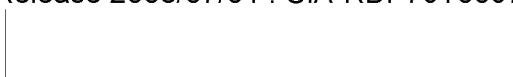
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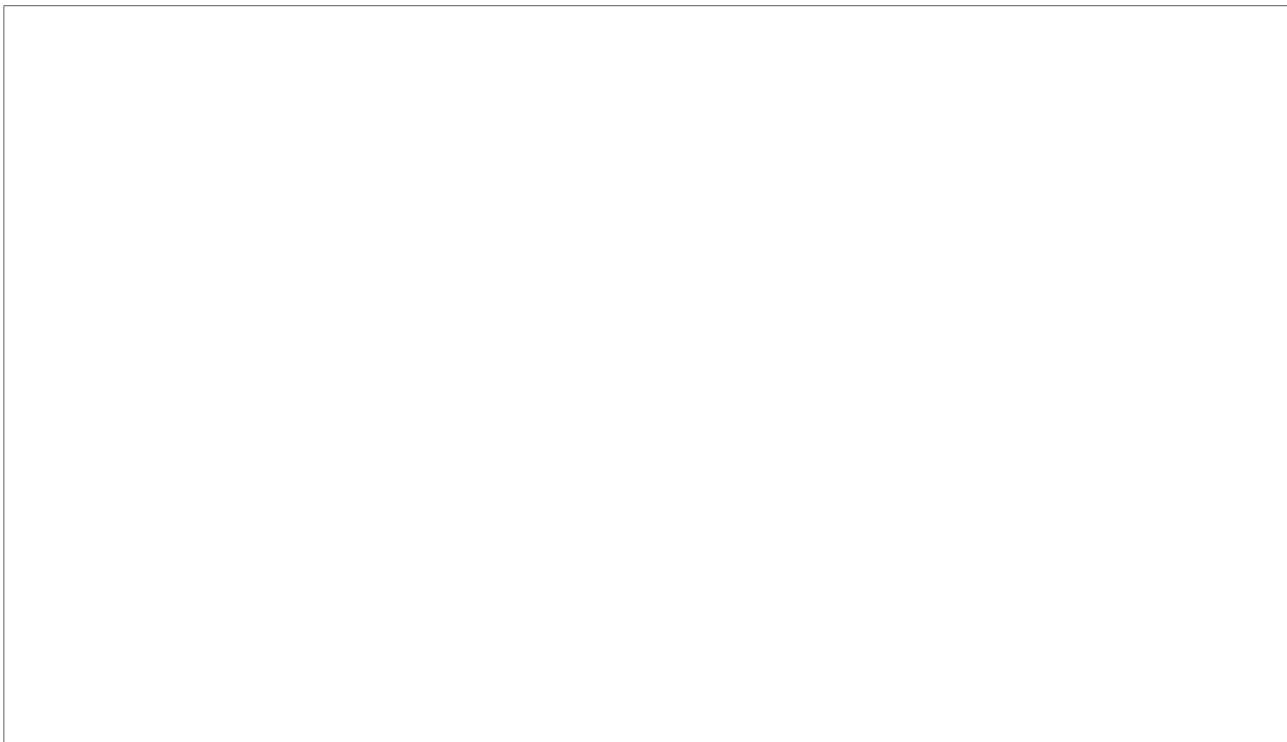
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#### UK: Labor Wins Narrow Vote

[REDACTED] //British Prime Minister Callaghan's Labor government won a narrow vote in the House of Commons yesterday, 280 to 278, overturning a House of Lords amendment to the aircraft and shipbuilding nationalization bill. The bill now goes back to the Conservative-dominated Lords, who will have to decide whether or not to pursue this challenge to the government.//

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[REDACTED] //The nationalization measure was seen by the government primarily as a test of Labor's staying power. There were nearly 60 abstentions during the vote, however, suggesting that the furor in the House of Commons over the expulsion from the UK of former CIA officer Philip Agee and another US citizen cut across party lines and averted a possible setback for Labor.//

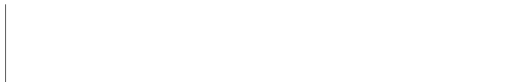
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[REDACTED] //Several Labor members of parliament had threatened to boycott the government's legislative effort unless the deportation orders were withdrawn.//

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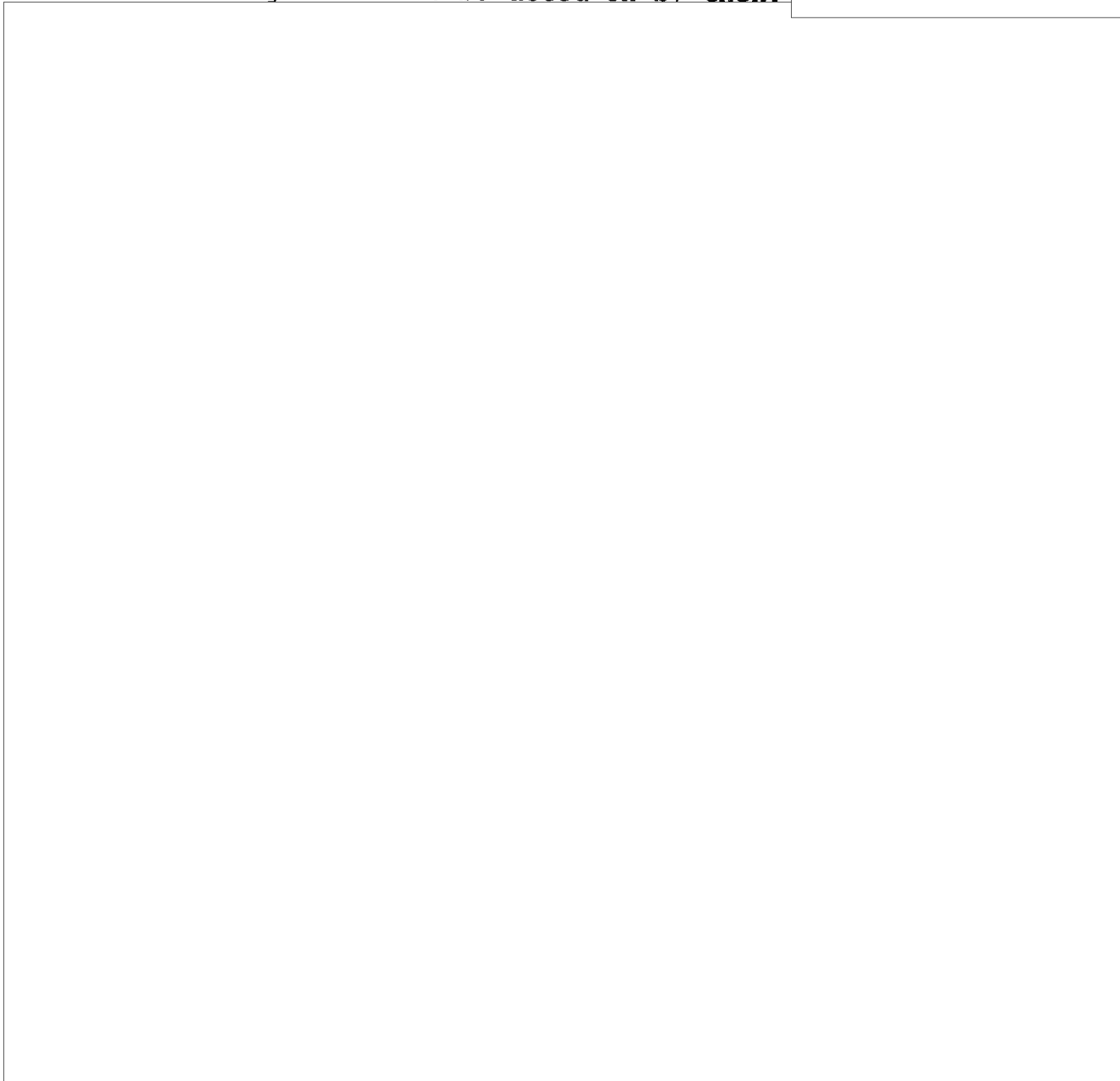


[redacted] //The government's decision to challenge the House of Lords at this time, the deportation imbroglio notwithstanding, seems poorly timed at best. The current session of Parliament ends on November 23, and the government has three major bills remaining that must be acted on by then. [redacted]

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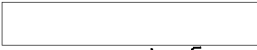


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**MEXICO: Oil Resources**

 //Mexican president-elect Lopez Portillo, who takes office on December 1, will face an immediate problem of restoring public confidence in the economy, and will emphasize exploitation of the country's oil resources and assistance to agriculture.//

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 //Recent oil discoveries in Mexico hold out the prospect for a substantial increase in non-OPEC oil supplies, although Mexico will continue to follow OPEC price guidelines.

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[ ] //We now believe that the Tabasco-Chiapas discovery is the largest ever made in the Western Hemisphere and that when fully developed, the reserves may rival those of Kuwait, Iran, and other Middle East countries. Present proven and probable oil reserves are conservatively estimated at 20 billion barrels, but up to 60 billion barrels may be confirmed over the next decade as a result of continued exploration and development.//

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[ ] //Lopez Portillo would probably like to produce and export crude at something near the maximum level. If an all-out development effort were begun soon, Mexico could produce about 2.75 million barrels per day by 1980 and more than 6 million barrels per day by 1985. At this rate, exports could reach 1.6 million barrels per day by 1980 and 4 to 4.5 million barrels per day by 1985.//

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[ ] //Technical and equipment limitations and foot-dragging by government officials, however, could create major obstacles. Thus, production by 1980, given a high priority, could be about 2.3 million barrels per day, with exports of 1.2 million barrels per day.//

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[ ] //The Pemex leadership generally believes that crude output should be limited to what Mexico can process itself and that only refined products should be exported. Shortages of equipment and, in some cases, of trained personnel also could slow progress. Although there is a world-wide shortage of the deep-drilling rigs needed in the Tabasco-Chiapas area, the situation has improved in recent months.//

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[ ] //Lopez Portillo needs to reorganize Pemex before a real effort to expand production can get under way. The desire of Pemex technicians to show themselves technically efficient and the need to increase exports to pay for equipment imports will strengthen the new president's hand in his battle with the bureaucracy.//

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[ ] //Mexico also could increase production faster if foreign firms were allowed to participate in development projects. Lopez Portillo reportedly has tentative plans to seek

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[redacted]

assistance from the US to help develop the country's oil industry. Although he has not spelled out what sort of assistance is contemplated, Lopez Portillo is known to respect the technical capabilities of US oil companies.//

[redacted] //Seeking US help in this sensitive area would clash with past Mexican policy, and Lopez Portillo would doubtless encounter stubborn opposition to the idea from Pemex and from other nationalistic groups in the bureaucracy.//

[redacted] //In the agricultural sector, Lopez Portillo's goal is to raise productivity and make Mexico self-sufficient in farm products, particularly corn and oil seeds, and boost exports of such commodities. The president-elect realizes that this will be a difficult and slow process and will require significantly more direct government assistance to both large and small farmers than is currently being provided.//

[redacted] //There would be a political price as well. Land redistribution, an integral ideological feature of the party that has governed Mexico for decades, would have to be curtailed in favor of creating large-scale commercial farms to maximize output. Lopez Portillo appears to want to stress productivity over land redistribution. His plan is to group together some of the small communal farms into larger units in the hope of increasing their productivity. [redacted]

#### PERU: Fishermen's Strike Spreads

[redacted] //The month-old Peruvian fishermen's strike is gaining some support from other labor groups. Although about one third of the 530-boat anchovy fleet is operating again, the government is concerned that sympathy for several thousand fishermen still on strike could develop into a general walk-out.//

[redacted] //The major labor confederations have thus far opposed suggestions from radical unions for a nationwide strike.

[redacted]

[redacted] //The military government of President Morales Bermudez is trying to woo fishermen back to work and simultaneously discredit the strike by allowing Sunday fishing, paying in cash for each catch, advertising excellent fishing conditions, and giving extensive publicity to reported terrorist activities by dissident fishermen.//

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[redacted] //Strikes are outlawed under the state of emergency that has been in effect throughout Peru since July, and the government will take more forceful action if it cannot control the situation by persuasion and propaganda. It has already employed 800 marines in principal port cities to restrain fishermen, and it will probably take stronger measures soon, before strike calls by sympathetic unions get out of hand. [redacted]

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#### THAILAND: Old Guard Threatens Return

[redacted] //The status of former Thai military strongman Praphat Charusathian and former prime minister Thanom continues to be a highly sensitive political issue.//

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[redacted] //General Kriangsak, secretary general of Thailand's ruling military council, flew to Taiwan on November 15 after receiving reports that Praphat, no doubt encouraged by the conservative complexion of the new Thai government and the increased power of some members of his former clique, was preparing to return to Bangkok. [redacted]

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[redacted] The return of Thanom to Bangkok last September led to the collapse of the civilian government. //A Thai national police investigation of Thanom--ordered by the military council as a means of putting off a formal decision on permitting him to remain in Thailand--not unexpectedly absolved him of responsibility for students' deaths that occurred during the 1973 uprising that brought down his regime.//

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[redacted] //General Kriangsak, with the undoubted concurrence of council chairman and Defense Minister Admiral Sa-ngat has tried to avoid council consideration of the report, however.

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[REDACTED]

Given the differences in the council between supporters of the two exiles and those who oppose their return to Thailand, Kriangsak fears that the discussion of the report could have serious, divisive effects on the council itself.//

[REDACTED] With the students cowed and the leftists driven underground, Praphat's return would not stimulate the violent reaction that greeted his brief visit last August. But it would suggest links between the new leadership and the discredited former military regime--a linkage that could undermine public support. [REDACTED]

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